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1. The Communists plan to make Poshan (117-51, 36-32) the Pittsburgh of North China. Present emphasis is on heavy industry. Iron, coal, bauxite and other minerals are available at Poshan in large quantities.
2. The headquarters of the Industry and Mining Section of the East China Communist Government (which extends its jurisdiction as far south as Fukien) is at Poshan in charge of Mr. LI, an economist.* LI spends one-third of his time at Poshan, a third at Shanghai, and the remainder in traveling throughout the area under his supervision. LI, who is said to be very capable, readily grasps ideas without using arguments usually advanced by Communists (sic)**.
3. A blast furnace has been built at Poshan for iron production. The construction was described as a daring adventure because it was undertaken, using only native products, by men who had had no previous iron and steel production experience. They copied the 250-ton Japanese blast furnace at Tsangkou*** and reduced it by proportion to build a 100-ton furnace. However, the new furnace does not work.
4. A steel expert of the Nationalist National Resources Commission, who was left at Poshan when the Nationalists withdrew, has been charged with getting the plant into operation. So-called steel and iron experts from Taiyuanfu, Peiping, Tientsin and Manchuria will assist him, but express little hope of success.
5. A German engineer has been called from his employment in Manchuria to Poshan and asked to arrange to build a coking plant from local materials. Coke from this plant is required for the blast furnace at Changtien (118-04, 36-51). The Communists seem to be trying to milk ideas from the engineer in order to build the coking plant themselves without being obliged to pay him.
6. The Changtien**** aluminum plant is not working. Armies and local inhabitants have so badly stripped, looted and robbed the plant that it is estimated it will take five to ten years to repair. However, the kilns used to dry

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25X1

- 2 -

material in the production of aluminum have been repaired and are being used in the production of cement*****.

25X1 * [] Comment. This should make Poshan very important in the future, particularly to traders who plan to supply industrial equipment to the Communist government.

25X1 ** [] Comment. Presumable meaning is that LI accepts new ideas instead of closing his mind and advancing Communist ideological arguments.

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25X1 ***** [] Comment. The manager of the aluminum plant has told [] that, in talks with Communist representatives, he was obliged to say that the aluminum plant was repaired and was producing aluminum.

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